



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Bill 3

FISCAL NOTE

Drafting Number: LLS 19-0228
Prime Sponsors:

Date: October 1, 2018
Bill Status: Opioid and Other Substance
Use Disorders Study Committee
Bill Request
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Bill Topic: HARM REDUCTION SUBSTANCE USE DISORDERS

**Summary of
Fiscal Impact:**

- | | |
|---|--|
| <input checked="" type="checkbox"/> State Revenue | <input checked="" type="checkbox"/> TABOR Refund |
| <input checked="" type="checkbox"/> State Expenditure | <input checked="" type="checkbox"/> Local Government |
| <input type="checkbox"/> State Transfer | <input type="checkbox"/> Statutory Public Entity |

This bill directs the Colorado Department of Public Health and Environment to purchase Naloxone in bulk and sell it to local governments, school districts, and other entities authorized by the bill. It clarifies that a pharmacist cannot dispense an opioid unless it was ordered through an electronic prescription beginning January 1, 2020. It also extends the repeal of the requirement to query the prescription drug monitoring program prior to prescribing a second fill for an opioid to September 1, 2024. Beginning in FY 2019-20, the bill increases state revenue on an ongoing basis and state and local expenditures on an ongoing basis.

**Appropriation
Summary:**

For FY 2019-20, this bill requires an appropriation of \$1.5 million to the Department of Public Health and Environment and \$141,500 to the Department of Corrections.

**Fiscal Note
Status:**

This fiscal note reflects the bill draft requested by the Opioid and Other Substance Use Disorders Study Committee.

**Table 1
State Fiscal Impacts Under Bill 3**

		FY 2019-20	FY 2020-21
Revenue	Cash Funds	\$475,000	\$950,000
	Total	\$475,000	\$950,000
Expenditures	General Fund	\$1,485,027	\$379,233
	Cash Funds	-	\$950,000
	Centrally Appropriated	\$130,534	\$149,731
	Total	\$1,615,561	\$1,478,664
Total FTE		4.1 FTE	5.0 FTE
Transfers		-	-
TABOR Refund	General Fund	\$475,000	\$950,000

Summary of Legislation

This bill creates the Naloxone Bulk Purchase Fund, which is continuously appropriated to the Colorado Department of Public Health and Environment (CDPHE), to purchase Naloxone in bulk. Local governments, school districts, and other entities authorized by the bill may purchase the Naloxone from CDPHE. No later than October 1, 2020, the CDPHE must report to the house and senate appropriations committees in the General Assembly on the revenues and expenditures of the fund, the amount of Naloxone purchased by eligible entities, and the discount price procured through bulk purchasing.

Further, the bill authorizes school districts, charter school institutes, and the governing bodies for private schools to implement a policy allowing schools under their jurisdiction to acquire and maintain a stock supply of opioid antagonists. An employee or agent of the school may administer an opioid antagonist on school grounds after receiving appropriate training.

Lastly, the bill requires a pharmacist to only dispense an opioid if it was ordered through an electronic prescription beginning January 1, 2020. It also extends the repeal of the requirement to query the prescription drug monitoring program prior to prescribing a second fill for an opioid to September 1, 2024.

Background and Assumptions

Naloxone is an opioid antagonist designed to rapidly reverse opioid overdose. The CDHPE currently has an existing contract with a group purchaser, the Minnesota Multistate Contracting Alliance for Pharmacy, for bulk purchase discounts on Naloxone products.

This analysis assumes that approximately 5,000 authorized entities in the first year and 10,000 entities in future years will purchase Naloxone from CDPHE. This estimate is derived from the following estimates of authorized entities: 2,725 government entities; 6,800 persons authorized to make opioid antagonists available; 178 school districts; 250 state charter schools; and 36 governing boards of non-public schools. It is assumed that the program will start in January 2020. It is also assumed that a half year supply of Naloxone will be purchased using General fund to cover the initial operating costs, and that future purchases will be made using cash funds.

State Revenue

This bill will increase cash fund revenue to the newly created Naloxone Bulk Purchase Fund by \$475,000 in FY 2019-20 and \$950,000 in FY 2020-21 and future years from purchases of Naloxone by authorized entities. CDPHE can purchase packages of Naloxone from its current vendor for \$75, and it is assumed that each shipment will cost \$20 to meet handling requirements and ship Naloxone overnight. This analysis assumes that the CDPHE will begin accepting and filling orders for Naloxone in January 2020. The funds in this cash fund are continuously appropriated to the CDPHE, and this revenue is subject to the state TABOR limit.

State Expenditures

This bill will increase state expenditures by approximately \$1.6 million and 4.1 FTE in FY 2019-20 and \$1.5 million in FY 2020-21 and 5.0 FTE and future years, as shown in Table 2 and described below.

Table 2
Expenditures Under Bill 3

Cost Components	FY 2018-19	FY 2019-20
Department of Public Health and Environment		
Personal Services	\$247,314	\$295,835
Operating Expenses and Capital Outlay Costs	\$50,963	\$37,828
Information Technology	\$570,250	\$42,270
Naloxone Bulk Purchase Program	\$475,000	\$950,000
Centrally Appropriated Costs*	\$130,534	\$149,731
FTE – Personal Services	4.1 FTE	5.0 FTE
Public Health and Environment(Subtotal)	\$1,474,061	\$1,475,664
Department of Corrections		
Programming and Software License	\$102,800	-
Hardware	\$38,700	\$3,300
Corrections (Subtotal)	\$141,500	\$3,300
Total	\$1,615,561	\$1,478,964
Total FTE	4.1 FTE	5.0 FTE

* Centrally appropriated costs are not included in the bill's appropriation.

Department of Public Health and Environment. This bill will increase expenditures for the CDPHE by \$1.5 million in FY 2019-20 and in and future years to implement a Naloxone bulk purchase program. These impacts are described below.

- *Personal services.* Beginning in FY 2019-20, the CDPHE will require 5.0 FTE to implement the Naloxone bulk purchase program. Staff will be responsible for overseeing the program, managing Naloxone inventory, providing training and technical assistance to clients, and fulfilling Naloxone orders. It is assumed that 3.0 FTE will have a July 1 start date to develop oversee the program's implementation, and the remaining FTE will have an October 1 start date. Costs in the first year are prorated to account of these start dates and the General Fund pay date shift. It is assumed that the Naloxone Bulk Cash Fund will only be used to purchase supplies, and personal services will be paid through the General Fund.

- *Operating expenses.* For FY 2019-20, in addition to operating expenses related to personal services, the CDPHE will have \$11,500 in operating expenses for storage and space security measures. Additionally, the CDPHE will have costs of about \$11,500 for travel throughout the state to provide technical assistance activities for three days per month. Beginning in FY 2020-21, in addition to the costs listed above, the CDPHE will require \$10,000 for costs related to freight supplies.
- *Information technology.* This bill will increase expenditures by \$570,250 in FY 2019-20 and 42,270 in FY 2020-21 and future years to implement an information management system for the Naloxone bulk purchase program. This system will be required to enroll eligible entities and facilitate inventory management and payments. It is assumed that this will require 3,800 hours of programming and support at various hourly rates.
- *Naloxone bulk purchase program.* This bill will increase general fund expenditures by \$475,000 in FY 2019-20 and cash fund expenditures by \$950,000 in FY 2020-21 and future years to purchase Naloxone. CDPHE can purchase packages of Naloxone from its current vendor for \$75, and it is assumed that each shipment will cost \$20 to meet handling requirements and ship Naloxone overnight. It is assumed this program will start in January 2020, and that \$475,000 General Fund will be needed for initial operating costs. Naloxone will be purchased from cash fund revenue in future years.

Department of Corrections. The DOC will have costs of \$141,500 in FY 2019-20 to make modifications to the health care components of its offender management information technology system to allow for electronic prescribing. While this system currently allows for electronic management of health data, including prescriptions to be dispensed within the closed DOC health care system, it does not allow for electronic signature or verification of a prescriber's identity, as is required for full electronic prescribing. First-year costs include \$102,800 for programming and software, and \$38,700 for hardware. Ongoing software licensing costs in FY 2020-21 and beyond will be \$3,300 per year. For FY 2021-22, and continuing every two years, the DOC will have costs of \$20,000 to have the system audited.

Department of Revenue. In FY 2019-20 only, this bill will increase workload for the Department of Revenue to adopt any rules necessary to expedite the issuance of identification cards to individuals with substance use disorders who require state identification card in order to enter treatment. It is assumed that any increase in workload can be accomplished within existing appropriations.

Department of Regulatory Agencies. In FY 2019-20, workload will increase for the Department of Regulatory Agencies (DORA) to conduct rulemaking and outreach activities related to the requirements in this bill. Additionally, workload will increase to the extent the DORA receives any additional complaints. The Division of Professions and Occupations and the State Board of Pharmacy in the Department of Regulatory agencies will also have workload to investigate any instances of noncompliance with the electronic prescribing requirement for opioid medication. It is assumed that any increase in workload related to these activities can be accomplished within existing appropriations.

Other agencies. Other agencies that employ health care providers with prescription authority may also have workload and costs to train employees on the new requirements and potentially to purchase software or hardware necessary to allow for electronic prescribing. However, other than the DOC, other agencies report that they already use electronic prescribing; therefore, it is assumed that any additional workload and costs for other state agencies will be minimal.

TABOR refunds. The bill is expected to increase state General Fund obligations for TABOR refunds by approximately \$475,000 in FY 2019-20. Under current law and the June revenue forecast, TABOR refunds are expected to be paid in the following year via reimbursements to local governments for senior and disabled veteran property tax exemptions. The bill will not affect the amount of these reimbursements.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, and indirect costs of 25 percent, are estimated to be \$130,534 in FY 2019-20 and \$149,731 in FY 2020-21.

Local Government and School Districts

Beginning in FY 2019-20, expenditures will increase for any county participating in the bulk purchase of Naloxone, including any counties that currently make defibrillators available in their public buildings. This impact will vary depending on the specific requirements and size of each county. Further, workload and costs will also increase in school districts that decide to participate in the bulk purchasing program. These costs will vary depending on the needs of each school district that decides to participate in the program.

Similar to the state agency impact discussed above, local governments that operate health care facilities or employ health care providers with prescribing authority may have additional workload and cost to train employees or implement or make modifications to their information technology systems to allow for electronic prescribing.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2019-20, the bill requires a General Fund appropriation of \$1,485,027 and an allocation of 4.1 FTE to the Colorado Department of Public Health and Environment and a General Fund appropriation of \$141,500 to the Department of Corrections

State and Local Government Contacts

Counties	Education	Health Care Policy and Financing
Human Services	Public Health and Environment	Regulatory Agencies
Revenue		